



ANNUAL REPORT 1977

Corporate Information

Officers	Chairman of the Board Ernest S. Rady President Kenneth A. Wallace Vice-President Thomas Z. Olenick Treasurer Graham D. McLeod Secretary Norman Edwards Assistant Secretary James S. Palmer Assistant Secretary Phyllis M. Kohn
Directors	Gerald L. Colborne, Toronto, Ontario Phyllis M. Kohn, Cochrane, Alberta Roy E. McLellan, Calgary, Alberta Ernest S. Rady, San Diego, California Kenneth A. Wallace, Calgary, Alberta
Honorary Directors	Howard Carruthers, Kelowna, British Columbia Douglas G. Scott, Winnipeg, Manitoba
Registered Offices	410 Crown Trust Building, 407 - 8th Avenue S.W. Calgary, Alberta T2P 1E5
Bank	The Royal Bank of Canada Calgary, Alberta
Auditors	Thorne Riddell & Co.
Registrar and Transfer Agent	Canada Trust Company Calgary, Alberta
Stock Exchange Listing	Alberta Stock Exchange

Report to Shareholders

On behalf of the Board of Directors, we are pleased to present the Annual Report of Summit Resources Limited for the year ended September 30, 1977.

On going exploration efforts on behalf of the Company resulted in participation by the Company in nine exploration ventures during the past year. Five wells were drilled by the Company and four were farmed out to others. The Company was unsuccessful in encountering commercial oil or gas in its own ventures, but one of the farmout wells did encounter commercial oil in the North Weyburn area of Saskatchewan.

The Company was active in participation with a number of new companies. At present, the Company has agreed to participate in exploration ventures with Golden Eagle Oil and Gas Limited in numerous areas of Alberta which are of interest to both companies. As a result of this association, it is anticipated that the forthcoming year should result in a number of interesting prospects being evaluated.

In addition, the following comments apply to the company investments:

WESTERN THRIFT FINANCIAL CORPORATION and its wholly owned subsidiary WESTERN THRIFT AND LOAN ASSOCIATION showed significant growth in loan volume assets and earnings through the first ten months of this calendar year.

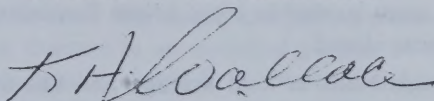
If the present rate of lending is sustainable, we estimate that in the next twelve months the company will lend \$100,000,000. U.S. Gross receivables before unearned discounts and loan loss provision are now approaching \$100,000,000. U.S. and Thrift deposits are over \$70,000,000. U.S.

The acquisition of the twenty-one Amfac Thrift & Loan offices and their consolidation with the six offices of Western Thrift & Loan left the consolidated company with twenty offices statewide throughout California. The costs of this consolidation plus the expense of significantly expanding those remaining Amfac offices meant that we will have virtually no return from these newly acquired offices this year. The Western Thrift offices performed substantially on target and satisfactorily.

Management believes earnings will expand significantly for the company as a whole in 1978, with the bulk of the increase coming from the newer offices as they achieve economies of size and scale. The balance sheet and statement of profit and loss for Western Thrift Financial Corporation as of December 31, 1977 will be published in Summit's semi-annual report to shareholders.

I would like to take the opportunity at this time to thank our shareholders, directors and staff for their efforts on our behalf during the past year, and hope for continued success in our endeavours.

ON BEHALF OF THE BOARD



K. A. Wallace
President

Current Exploration Projects

Alberta

Nevis Area, Alberta

The Company, in association with partners, drilled a 6600 ft. test to evaluate the Devonian reef potential believed to exist in the area. No commercial shows of oil or gas were encountered and the test well (Summit et al Nevis 11-23-38-23 W4M) was subsequently abandoned. The Company retained approximately a twenty percent (20%) working interest.

The Company, in association with partners, farmed out the gas rights to 160 acres (NW/4-9-38-22 W4M) on which Siebens Oil and Gas Limited drilled a 5000 ft. test. Unfortunately for Summit, oil was encountered in this gas prone area and as a result no interest was earned by Summit and its associates.

The Company and its associates, exchanged 640 net acres of Crown lease with Siebens Oil and Gas Limited (Section 6-38-22 W4M) for 640 net lease acres in the Ponoka area (Section 12-43-25 W4M). It is anticipated that Siebens Oil and Gas Limited may drill this exchanged lease sometime in 1978. Summit anticipates drilling the section which was traded to it from Siebens Oil and Gas Limited during 1978. Summit and Siebens each retain a 10% gross royalty on each others sections.

Cadotte River Area, Alberta

Some 11,040 gross acres of petroleum and natural gas leases were farmed out to Ranger Oils Limited on which they drilled a 6000 ft. Devonian test. Although the test well failed to find production in the Devonian reef, shallow up-hole sands were tested which yielded substantial amounts of natural gas. Further testing and evaluation will be required to determine the value of this discovery. Summit holds a minor working interest of 2½% after payout.

Dixonville Area, Alberta

During 1977, the Company granted, in association with partners, a seismic option to Golden Eagle Oil and Gas Limited to shoot eight miles of CDP shooting on 1980 acres of petroleum and natural gas leases lying adjacent to the Dixonville-Bluesky gas field. Although Golden Eagle did not exercise its option, Summit was successful in farming out the acreage for a 3000 ft. Triassic test. In September, this well was drilled and encountered non commercial shows of gas in the Bluesky formation and was subsequently abandoned. Summit Resources Limited held a 22½% working interest in the original lease block which expires in 1978.

Chigwell-Ponoka Area, Alberta

Summit Resources Limited with partners, drilled three unsuccessful Devonian wildcat prospects namely; Summit et al Chigwell 7-8-41-25 W4M, Summit et al Chigwell 14-23-41-25 W4M and Summit et al Ponoka 11-21-42-24 W4M, all to approximately 6000 ft. with Summit retaining a working interest of approximately 20%.

These ventures were located in areas where Devonian reef pinnacles might exist and substantial oil and gas reserves might be encountered.

The Company continues to hold acreage and has additional prospects which are to be evaluated during 1978. The Company is presently negotiating to have these prospects further evaluated during the high risk stage.

Esther Area, Alberta

The Company, in conjunction with partners, drilled a 3000 ft. test on the east side of the Esther gas field in search of additional gas reserves. The potential reservoirs were found to be either tight or absent as a result, was subsequently abandoned. The Company maintained a 25% working interest in this venture while drilling and has since dropped the acreage due to the lack of any further interest.

Eaglesham Area, Alberta

The Company in conjunction with its partners, granted a drilling option to Altana Exploration Company and Michigan Wisconsin Pipe Lines for a test on its acreage in Twp. 78, Rge 24 W5M. The Company held a 22½% working interest in some 1920 acres of petroleum and natural gas leases which are expiring in 1978. The offset test well ie: Mich Wis Altana Eagle N 11-29-78-24 W5M was drilled to the Triassic formation without encountering commercial oil or gas and was abandoned. The option was not exercised by the group.

Saskatchewan

Due to the adverse taxation imposed upon the producers and operators in this province by that government, the Company has refused to take any initiative in further exploration and development in that province. The Company farmed out a development drilling location to Midale Petroleum Ltd. in the North Weyburn area. The well was subsequently drilled and completed as a Midale Beds oil producer. The Company retains a 4% gross royalty on production from this wellsite.

The Company anticipates no further development in this Province in the foreseeable future.

U.S.A.

Ragged Point Area, Montana

The Company continues to hold attractive petroleum leases in this area and is hopeful of having a test well drilled prior to the expiration of these leases.

Tule Creek Area, Montana

A renewed interest by the petroleum industry in this area has prompted the Company to discontinue its policy of dropping leases and is presently negotiating for an active program of preliminary seismic exploration on remaining leases.

Willard Area, Montana

Exploration seismic shooting has been conducted by others near acreage presently held by the Company. It is hopeful that this activity might result in some drilling on or adjacent to the Company's acreage. The Company continues to hold a 75% interest in some 712 net acres in this area.

Sioux Ordinance Depot, Nebraska

Anschutz Petroleum Corporation of Denver and Summit Resources Limited conducted seismic reviews of data available in the Sioux Ordinance Depot which is situated in an undrilled portion of the D-J Basin of SW Nebraska. Numerous oil leases were being offered for sale by the U.S. Government. The review of the data suggested that the parcels being offered were very high risk and as a result, no bids were placed on behalf of Summit Resources Limited.

German North Sea

The Company continues to maintain its 4% working interest in some 100,000 acres in the German Sector of the North Sea for a minimum expenditure. It is hopeful that the operators of this project may be able to farmout this permit for further seismic which could ultimately result in some drilling activity.

Summary of Non-Producing Acreage

(as of September 30, 1977)

<u>AREA</u>	<u>GROSS ACRES</u>	<u>Working Interest</u>
		COMPANY'S <u>NET ACRES</u>
Alberta	23,700	6,727
Saskatchewan	1,519	608
German North Sea	100,000	4,000
Montana	8,401	2,877
TOTAL	133,620	14,212

		<u>* Royalty Interest</u>
Alberta	21,920	344
Saskatchewan	920	16
TOTAL	22,840	360
TOTAL ALL PROPERTIES	156,460	14,572

* A 1.0 per cent Royalty Interest is equivalent to a 3.0 per cent Working Interest.

Development

The following table shows the Company's participation in wells capable of production at September 30, 1977.

<u>Producing Wells</u> <u>Working Interest</u>	<u>Gross Wells</u>	<u>Net Wells</u>
Midale, Saskatchewan	2	1.65
Parkman	4	2.0
Hume	6	1.1
Weyburn	6	2.4
Wood River, Alberta	2	0.25
 <u>Royalty Interest</u>	 <u>Gross Wells</u>	 <u>% Royalty</u>
Parkman, Saskatchewan	2	12.5
	4	1.5
Lost Horse Hills	9	1.0
Elmore	5	1.5
Oungre	1	1.0
Chigwell, Alberta	3	1.4
Oberlin	1	1.0
Lait	1	5.0
Nevis (shut-in gas)	1	15.0
	1	7.5
Harmon	1	0.75

The major reserves of the Company were evaluated by J. C. Sproule in June 1972 and are being continually updated on a regular basis by the engineering staff of the Company. These updated reserves estimated at September 30, 1977 are as follows:

<u>Estimated Reserves</u>	<u>Crude Oil</u>
Proven developed	404,000
Probable developed	286,000
Royalty Proven	87,000
Royalty Probable	23,000
TOTAL RESERVES	800,000 bbls.

The Company receives its major portion of production from wells in Saskatchewan, i.e. Parkman, Midale, Hume and North Weyburn, along with Wood River, Alberta. During the period under review the Company's oil production is as follows:

<u>Period</u>	<u>Net Production — after Royalty</u>
October 1, 1976 — September 30, 1977	39,505 bbls.

Summit Resources Limited

ASSETS

	1977	1976
CURRENT ASSETS		
Cash and term deposits	\$ 30,577	\$ 120,902
Accounts receivable	186,538	114,891
Prepaid expenses and supplies	22,154	21,828
	<u>239,269</u>	<u>257,621</u>
OTHER INVESTMENTS		
Marketable securities		69,175
Investment in other companies (note 2)	1,349,642	1,084,742
	<u>1,349,642</u>	<u>1,153,917</u>
OTHER ASSETS, at cost		
Drilling and other deposits	<u>26,984</u>	<u>26,013</u>
FIXED ASSETS (note 3)		
Properties, buildings and equipment	2,410,966	2,102,676
Less accumulated depreciation and depletion	695,727	553,717
	<u>1,715,239</u>	<u>1,548,959</u>
	<u>\$3,331,134</u>	<u>\$2,986,510</u>

Auditors' Report

To the Shareholders of
Summit Resources Limited

We have examined the consolidated balance sheet of Summit Resources Limited as at September 30, 1977 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. For Summit Resources Limited and subsidiary of which we are the auditors and which are consolidated in these financial statements, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we consider necessary in the circumstances. For the investment in Western Thrift Financial Corporation, which is accounted for by the equity method, we have relied on the report of the auditors who have examined its financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
November 23, 1977

THORNE RIDDELL & CO.
Chartered Accountants

Consolidated Balance Sheet - as at September 30, 1977

LIABILITIES	1977	1976
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 120,564	\$ 115,088
Advances by participants in drilling programs	62,000	42,400
Principal due within one year on long-term debt	6,918	6,600
	<u>189,482</u>	<u>164,088</u>
LONG-TERM DEBT		
6¾% Mortgage payable, maturing May 15, 1985	67,844	74,411
Less principal due within one year	6,918	6,600
	<u>60,926</u>	<u>67,811</u>
DEFERRED INCOME TAXES	<u>346,000</u>	<u>205,000</u>

SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 4)		
Authorized		
200,000 5% Non-cumulative, non-voting, redeemable, convertible preference shares, par value \$1 each		
10,000,000 Common shares, no par value		
Issued		
1,000,920 Common shares	1,935,947	1,935,947
RETAINED EARNINGS	798,779	613,664
	<u>2,734,726</u>	<u>2,549,611</u>
	<u>\$3,331,134</u>	<u>\$2,986,510</u>

Approved by the Board

Director

Director

K. H. Wallace
Don Kern

Summit Resources Limited

Consolidated Statement of Income

Year Ended September 30, 1977

	1977	1976
REVENUE		
Oil and gas sales	\$344,098	\$299,078
Drilling contracts	544,890	
Rentals	55,321	51,140
Investments	28,105	45,652
	<u>972,414</u>	<u>395,870</u>
EXPENSES		
Production	71,375	79,339
Drilling contracts	363,116	
Rental	35,101	28,297
Interest on long-term debt	4,737	5,160
Remuneration of directors, officers and employees	54,709	63,358
General and administrative	59,213	76,052
Depreciation and depletion	139,164	119,391
	<u>727,415</u>	<u>371,597</u>
Operating Income	244,999	24,273
Share of Income		
Western Thrift Financial Corporation (note 2)	72,645	43,878
Income before income taxes	<u>317,644</u>	<u>68,151</u>
Income Taxes		
Provincial tax credits	(8,471)	(5,932)
Deferred	141,000	22,580
	<u>132,529</u>	<u>16,648</u>
NET INCOME	<u>\$185,115</u>	<u>\$51,503</u>
NET INCOME PER COMMON SHARE	<u>\$.18</u>	<u>\$0.05</u>

Summit Resources Limited

Consolidated Statement of Retained Earnings

Year Ended September 30, 1977

	1977	1976
RETAINED EARNINGS AT BEGINNING OF YEAR	\$613,664	\$562,161
Net income	<u>185,115</u>	<u>51,503</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$798,779</u>	<u>\$613,664</u>

Summit Resources Limited

Consolidated Statement of Changes in Financial Position

Year Ended September 30, 1977

	1977	1976
WORKING CAPITAL DERIVED FROM		
Operations	\$374,487	\$152,045
Proceeds from sale of marketable securities	87,323	69,140
Proceeds from sale of fixed assets	<u>1,500</u>	<u>7,192</u>
	<u>463,310</u>	<u>228,377</u>
WORKING CAPITAL APPLIED TO		
Increase in investment in other companies	192,255	359,184
Increase in other assets	971	
Purchase of fixed assets	306,945	135,583
Reduction of long-term debt	<u>6,885</u>	<u>6,745</u>
	<u>507,056</u>	<u>501,512</u>
DECREASE IN WORKING CAPITAL	43,746	273,135
WORKING CAPITAL AT BEGINNING OF YEAR	<u>93,533</u>	<u>366,668</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 49,787</u>	<u>\$ 93,533</u>

Summit Resources Limited

Notes to Consolidated Financial Statements

Year Ended September 30, 1977

1. ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of Summit Resources, Inc., a wholly-owned subsidiary.

(b) Investment in other companies

The Company follows the equity method of accounting for its investment in Western Thrift Financial Corporation. Under this method the Company's investment is carried on the balance sheet at cost plus its share of the undistributed earnings.

All other investments are carried at cost.

(c) Fixed assets

The Company and its subsidiary follow the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties and costs of both productive and unproductive drilling. Proceeds received on disposal of properties are credited against such costs.

Depletion of costs accumulated is provided using the composite unit of production method based on total proven reserves of gas and oil. Depreciation of petroleum equipment is provided on a diminishing balance basis at 30% per year.

Depreciation of rental properties and equipment is provided on a straight-line basis at 3% per year.

(d) Income taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the income reported in the accounts. Under this method, the Company makes full provision for income taxes deferred as the result of claiming capital cost allowances and exploration and development costs in excess of the amounts provided for depreciation and depletion in the accounts.

Summit Resources Limited

Notes to Consolidated Financial Statements (Continued)

Year Ended September 30, 1977

2. INVESTMENT IN OTHER COMPANIES

	Number of Shares		Carrying Value	
	<u>1977</u>	<u>1976</u>	<u>1977</u>	<u>1976</u>
Western Thrift Financial Corpora- tion - Common	72,710	62,610	\$1,239,642	\$ 974,742
Memrad Holdings Ltd. - Preferred	4,000	4,000	40,000	40,000
Union Assets Ltd. - Preferred	700	700	<u>70,000</u>	<u>70,000</u>
			<u>\$1,349,642</u>	<u>\$1,084,742</u>

The Company's investment in Western Thrift Financial Corporation represents an equity interest of 22.0% and its share of income from acquisition to December 31, 1976 is \$81,573.

3. FIXED ASSETS

	1977		1976
	<u>Cost</u>	<u>Accumulated Depreciation and Depletion</u>	<u>Net</u>
Petroleum Properties	\$1,982,513	\$452,859	\$1,529,654
Equipment	<u>221,746</u>	<u>176,013</u>	<u>45,733</u>
	<u>2,204,259</u>	<u>628,872</u>	<u>1,575,387</u>
Rental operation Land	30,468		30,468
Buildings	165,951	62,371	103,580
Equipment	<u>10,288</u>	<u>4,484</u>	<u>5,804</u>
	<u>206,707</u>	<u>66,855</u>	<u>139,852</u>
	<u>\$2,410,966</u>	<u>\$ 695,727</u>	<u>\$1,715,239</u>
			<u>\$1,548,959</u>

4. EMPLOYEE STOCK OPTIONS

At September 30, 1977, employee stock options on 24,500 shares are outstanding. These options are exercisable on or before January 31, 1978 at a price of \$2.75 per share and may be exercised on a cumulative basis up to the expiry date.

